



# Metro Vancouver Industrial Report

## Fourth Quarter 2009

### Introduction: economic summary

Q4 2009 marked a sharp turnaround for the global economy as financial markets stabilized and significant improvement was seen across almost all economic sectors. According to national and international accounts, the global economic recession ended at the beginning of this quarter, evidenced by positive growth in world trade, as well as stronger industrial production and increased stock indices.

Overall, Canada is experiencing stronger market fundamentals: household spending has improved, consumer confidence is up, and housing markets have strengthened. After three quarters of straight declines, the Canadian economy grew marginally over the last quarter with an annualized growth rate of 0.4%. Canada is looking toward better progress in 2010 where GDP is projected to grow by 2.6%. Forecasts call for even better results in 2011 with growth estimated at 3.9%.

Canada's recovery, however, is not without its challenges and the strong dollar remains a threat for export demand. Furthermore, unemployment figures remain high, despite some improvement from last quarter. Low interest rates, as well as continued government spending, will provide the baseline for recovery as employment and export figures are expected to shape up over the next several quarters.

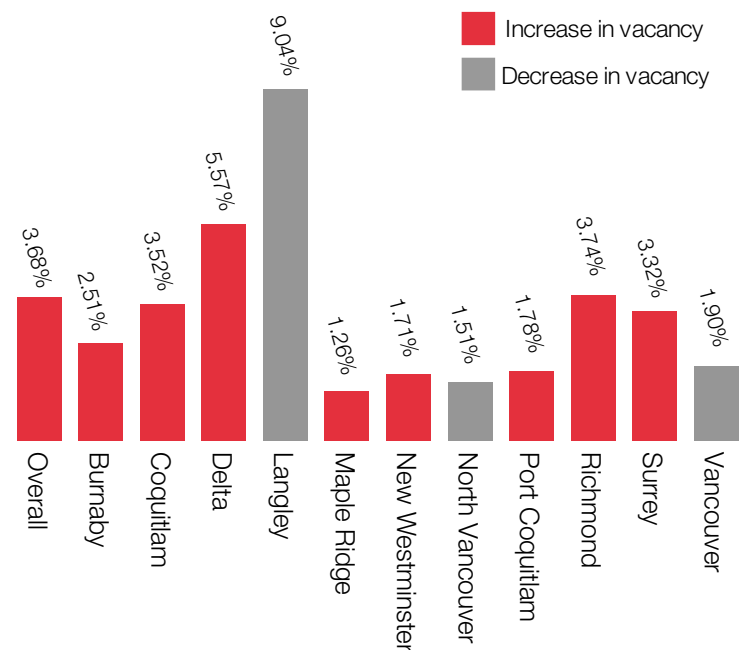
Across the border, the U.S. economy is moving into post-recession territory, albeit at a much slower pace. The U.S. housing market made a turn around last quarter, due in part to low mortgage rates and federal tax incentives. GDP growth for the U.S. is projected to grow by 2.5 percent in 2010, and 3.4% in 2011. Canada is closely monitoring the health of the U.S. economy as recovery will generate improved trade and investment activity between the two nations.

The BC economy, despite being hit hard by the recession, has also made moves towards recovery. Over the last several months, the resurgence of the housing market has made headlines as sales for existing homes have escalated along with housing starts. Retail activity is also on the mend, as the winter Olympics will stimulate much needed tourism and sales activity.

BC's export economy is also improving following a slump in demand from both U.S. and Asian economies. Looking ahead, stronger global demand for forestry products, metals and coal should help boost BC's natural-resource sector.



### Municipal vacancy rates



Source: DTZ Barnicke

### Metro Vancouver market summary

The Metro Vancouver industrial market remained steady in Q4 2009 as deal volume improved from relatively slow conditions at mid-year. However, a significant amount of excess space is still on the market, presenting both unique and challenging conditions as vacancy rates continue to climb in nearly all submarkets.

Vacant space totalled 6,494,605 sq ft at year-end 2009, up 11.5% from last quarter. Delta, Langley and Richmond account for over 3.8 million square feet of vacant space - 58% percent of the region's total alone. The region's average vacancy rate sits at 3.68%, up 34 basis points from Q3 2009 and up 66 basis points from mid-year.

Overall, the sense of urgency that once existed in the industrial lease market has now dissipated, due in part to excess space and softening demand in most areas. The market has now shifted in favor of renters, leaving landlords with little choice but to soften rates or provide incentives to attract tenants. Areas with over supply, which include several parts of Richmond and the Fraser Valley, have seen in some cases a 10% decrease in lease rates.

Top industrial leases of Q4 2009			
Address	Municipality	Size (sq ft)	Tenant
7708 80th Street	Delta	91,449	Vicwest Steel
15110 54A Street	Surrey	60,050	Federal Express Canada
27353 58th Crescent	Langley	53,041	Stuyver's Operating Ltd.
766 Cliveden Place	Delta	42,268	Cosmos Furniture Co.
78 Fawcett Road	Coquitlam	39,200	Canstar Construction
26868 56th Avenue	Langley	38,429	MTF Mainland Distribution

Source: DTZ Barnicke

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The industrial sale market looks more balanced in comparison, and sellers are still able to capitalize on pent up-demand. Land prices still average \$800,000 to \$1.4 million per acre, although less expensive land can be found in outlying suburban locations. Well located, serviced land continues to be sought after, although raw land in secondary markets continues to struggle. Opportunities to purchase buildings remain limited for both owner/users and investors, as a shortage of high quality product continues to leave little options for buyers looking for deals. Vacant land is also difficult to find in the lower mainland, especially in areas closer to the central core.

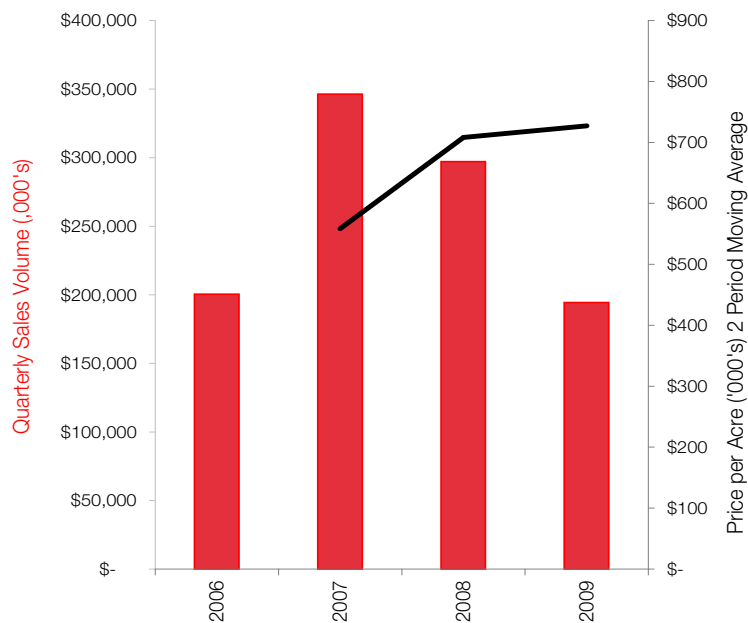
### Vancouver • North Vancouver • Burnaby

Total inventory in the Vancouver/North Vancouver/ Burnaby sub-market totaled 54,626,619 sq ft, up 203,376 sq ft from last quarter. Both Vancouver and North Vancouver experienced a decrease in vacancy rates, down 22 and 109 basis points to reach 1.90% and 1.51% respectively. Burnaby saw a slight increase from Q3 2009 figures, up 50 basis points to reach 2.51%. Lease rates on average have dropped 5-10% as landlords react to softened demand seen over the quarter. While economic conditions have improved, deal volume still remains low and businesses continue to downsize and put sub-lease space on the market. In terms of sales, Burnaby and North Vancouver properties have kept their pre-2009 values as lack of new spec development and small land supply keep the market relatively tight.

### Northeast Sector • Ridge Meadows

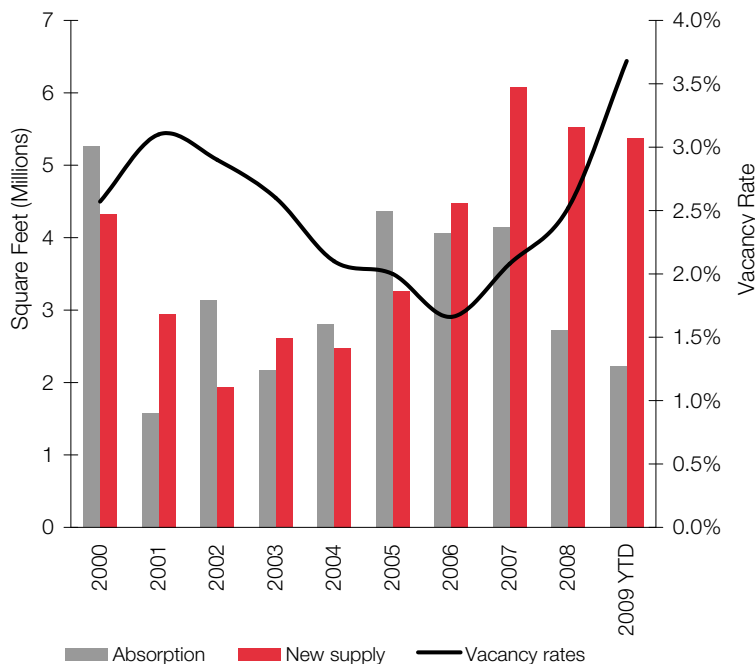
Both the Northeast Sector and Ridge Meadows experienced an increase in vacancy rates, with Coquitlam, Port Coquitlam and Maple Ridge up 184, 28 and 83 basis points respectively. The increase in vacancy rates were due to several large spaces coming onto the market, as well as softened demand for space seen over the last quarter. Transaction activity in both submarkets remained relatively quiet over Q4 as both lease and sales volume decreased. Rental rates peaked earlier in the year and asking rates have decreased in some cases 10%. There seems to be a disconnect between expectations of landlords and tenants as asking rates remain higher than what the market is willing to pay. Accordingly, deals are still being made, albeit at lower rates than expected, and generally with some form of inducement needed.

Industrial land sales: volume vs. price per acre



Source: RealNet

Municipal vacancy rates



Source: DTZ Barnicke

Metro Vancouver industrial statistics Q4 2009

Region	Total inventory (sq ft)	Total vacant (sq ft)	Vacancy rate	Average asking lease rate PSF* (NNN)	Average asking sale price PSF*
N. Vancouver / Vancouver / Burnaby	54,626,619	1,180,152	1.97%	\$9.23	\$179
Richmond / Delta	55,112,854	2,448,399	4.65%	\$6.79	\$154
Surrey / Langley	43,917,720	2,324,568	6.18%	\$7.00	\$174
Northeast Sector / Ridge Meadows	22,852,841	541,486	2.06%	\$8.50	\$170
Total	176,510,034	6,494,605	3.68%	\$7.80	\$170

Source: DTZ Barnicke

## Top industrial sales of Q4 2009\*\*

Address	Municipality	Size (sq ft)	Price	Price/ sq ft	Profile	Purchaser
11870 Hammersmith Way	Richmond	123,000	\$12,790,000	\$104	Investor	Riverside Centre Holdings Ltd.
9999 River Way	Delta	86,345	\$10,290,000	\$119	Investor	9999RW Property Ltd.
1127 Derwent Way	Delta	136,976	\$6,436,690	\$47	Investor	Dayhu Investments Ltd.
13375 Comber Way	Surrey	31,488	\$4,300,000	\$137	User	Sunrise Kitchens
1255 Welch Street	N. Vancouver	23,600	\$3,375,000	\$164	Investor	Calido Enterprises Ltd.

## Top industrial land sales of Q4 2009\*\*

Address	Municipality	Size (acres)	Purchaser	Price	Profile
8890 Manitoba Street	Vancouver	13.080	Vancouver Fraser Port Authority	\$9,250,000	User
4238 Lozells Avenue	Burnaby	4.834	Rockwell Pacific Properties Inc.	\$6,460,000	Investor
20 Fell Avenue	N.Vancouver	2.000	Harbourview Projects Corp.	\$3,950,000	Developer
19298 21st Avenue	Surrey	3.682	0861214 B.C. Ltd.	\$2,540,580	User
Lot 4 203rd Street	Langley	2.293	0816802 B.C. Ltd.	\$2,522,443	Investor

### Richmond • Delta

Vacancy rates in Richmond/Delta increased marginally over Q4, with Richmond up 42 basis points and Delta up 56 basis points from last quarter to reach 3.74% and 5.57% respectively. Large amounts of sublease space remain on the market, as do larger properties greater than 20,000 sq ft. Accordingly, spaces larger than 20,000 sq ft have experienced a drop in lease rates (on average \$1.00 per square foot) to accommodate softened demand. Lease rates for spaces less than 20,000 sq ft, however, remain unchanged. Richmond/Delta also continues to have a lack of sale product available on the market, attributing to a relatively tight sales market with prices staying constant from last quarter.

### Surrey • Langley

The Fraser Valley continues to experience high vacancy rates as space continues to accumulate on the market. While vacancy rates in Langley decreased slightly this quarter, down 90 basis points from a quarter ago to reach 9.04%, Surrey saw a jump in vacancy rates this quarter, up 74 points to 3.32%.

Large distribution companies in the area continue to downsize and look for better lease terms closer to the City, putting both lease and sub-lease space on the market. Furthermore, several new spec projects entered the market in Q4, including large spaces in Campbell Heights, Gloucester Industrial Estates and Colebrook Business Centre. Looking ahead, lease rates will continue to drop in light of slumping demand, and attractive opportunities in other markets continue to dampen an already slow sales market.

### Market Outlook

Overall economic conditions improved last quarter, providing many with a renewed outlook in market activity in 2010. While economic recovery is underway, many analysts forecast a slow lease/sales period in Q1 2010 as business activity continues to stagnate. Furthermore, the Olympics did little to boost the industrial real estate market, and analysis suggests that deal volume will continue to slump during and after the Olympics. Looking ahead into the latter half of Q1 2010, forecasts call for leasing and sales activity to improve from 2009 levels.

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### Definitions

**Absorption:** Refers to growth or net change in occupied space over time.

**Inducements:** A form of monetary enticement given by a landlord to a tenant.

**New supply:** New space entering the market through new construction.

**Under Construction:** Projects that are currently being built but are not yet completed.

**Vacancy rate:** The current amount of vacant building area compared to the total amount of existing inventory.

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If you would like to receive this report via email, please contact us.



\*Properties over 10,000 sq ft only

\*\*Data sourced from RealNet Canada Inc.  
www.realnet.ca



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